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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000266

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TAGS: [ECON](#) [EFIN](#) [ETRD](#) [PREL](#) [SENV](#) [ENRG](#) [CH](#)
SUBJECT: STRATEGIC ECONOMIC DIALOGUE: MEETING WITH
PRESIDENT HU JINTAO

REF: A. BEIJING 259
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Classified By: Acting Minister-Counselor for Economic Affairs Christoph
er Beede, Reasons 1.4 (B) and (D).

[1](#)1. (C) Summary: President Hu Jintao congratulated the United
States Strategic Economic Dialogue (SED) delegation on a
successful first dialogue and stressed the importance of
United States-China economic ties to regional and world
prosperity. Treasury Secretary Paulson said the dialogue had
been productive and emphasized that future dialogues should
continue to bring concrete progress. The American public
will remain focused on currency flexibility. Secretary
Paulson pressed for liberalization of China's services sector
and raised the need to allow foreign ownership of securities
firms for further development of Chinese capital markets.
Secretary Bodman urged cooperation to build cleaner

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coal-fired power plants, while Secretary Gutierrez welcomed
positive news on the Westinghouse bid and USTR Schwab
expressed determination to work with China to bring the Doha
Round to a successful conclusion. President Hu said that
China will listen carefully to United States concerns, but
must proceed from China's actual conditions and follow the
will of the people in moving ahead with reforms. Secretary
Paulson concluded by urging a faster pace of reform progress.
End Summary.

[1](#)2. (C) In a December 15 meeting, President Hu Jintao
congratulated the SED delegation led by Treasury Secretary
Paulson and accompanied by the Ambassador on a successful
opening session. President Hu expressed hope for
strengthened coordination and cooperation through future
sessions. Secretary Paulson said that the United States
delegation appreciates the importance of the United
States-China economic relationship and stressed that the
dialogue should show demonstrable progress in order to help
fend off growing protectionist sentiments. Currency
flexibility will continue to be a focus of the American
public looking toward the next SED session in May. Other
important issues include liberalization of the services
sector, protection of investors' rights, cooperation on

energy security and efficiency and environmental protection.

Capital Markets, Health, Energy, Doha, Westinghouse

13. (C) Secretary Paulson urged that China create conditions for development of an efficient capital market in China and allow 100 percent foreign-owned securities firms as other developing countries have done. Health and Human Services Secretary Leavitt told President Hu that his visits to rural

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Chinese health clinics and homes convinced him that China faces major challenges and that, despite differences, it is clear that both the United States and China have an interest in continued global economic prosperity. Energy Secretary Bodman outlined plans to organize technical working groups to discuss alternative energy, clean coal and other topics. Referring to the more than 100 coal-fired power plants currently under construction in China, he suggested that United States-China cooperation could address pollution problems resulting from the use of old technology. USTR Schwab told President Hu that China and the United States are working hard to save the Doha round, as discussed between President Bush and President Hu in their Hanoi meeting at APEC. Commerce Secretary Gutierrez welcomed positive news about sales in conjunction with his recent trade mission and the positive development on the Westinghouse nuclear plant bid.

China: U.S. and China Are Constructive Partners

14. (C) President Hu stated that the United States and China maintain good cooperation on major regional and international issues. He noted that, not only are the United States and China stakeholders together, but that they are constructive partners. He expressed China's appreciation of President

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Bush's commitment to maintaining close ties with China. China and the United States have the fastest growing economic and trade relationship in the world. Two-way trade has increased 86-fold since the establishment of diplomatic relations in 1979. United States exports to China were up 33 percent from January to August of 2006 and China has been the United States' fastest growing export market for three years in a row. From this, Hu concluded that United States-China economic ties are a major contributor to regional and world prosperity.

U.S.: Differences On Pace of Reform

15. (C) President Hu posited that it is natural for differences to arise in this environment. He reasoned that this makes it more necessary to establish candid dialogue and seek to resolve problems. President Hu stated that China is willing to listen to United States' concerns, but at the same time the United States needs to take into account China's actual conditions and the will of the people in pursuing its reforms. China has made it clear that it does not intend to pursue a large trade surplus with the United States, President Hu underlined. He asked Secretary Paulson to pass his best wishes for the New Year to President Bush.

16. (C) Secretary Paulson agreed that the dialogue had been productive and said that the United States and China have reached consensus on principles. We do have differences over the timing of various measures, however, he stated. The United States will continue to press its view that the pace of China's reform progress should be faster.

PARTICIPANTS

17. (U) Participants:

United States Delegation

--Henry Paulson, Secretary of Treasury
--Clark T. Randt, Jr. United States Ambassador to China
--Michael Leavitt, Secretary of Health and Human Services
--Samuel Bodman, Secretary of Energy
--Carlos Gutierrez, Secretary of Commerce
--Elaine Chao, Secretary of Labor
--Susan Schwab, United States Trade Representative
--Stephen Johnson, Administrator of the Environmental
Protection Agency
--James Lambright, Chairman and President of Ex-Im Bank
--Daniel Sullivan, Assistant Secretary, Department of State

Chinese Delegation

--Wu Yi, Vice Premier
--Jin Rengqing, Minister of Finance
--Ma Kai, Chairman of National Development and Reform
Commission
--Xu Guanhua, Minister of Science and Technology
--Tian Chengping, Minister of Labor and Social Security
--Liu Zhijun, Minister of Railways
--Li Shenglin, Minister of Communications
--Wang Xudong, Minister of Information and Industry
--Bo Xilai, Minister of Commerce
--Gao Qiang, Minister of Health
--Zhou Xiaochuan, Governor of People's Bank of China
--Li Changjiang, Administrator of General Administration of
Quality Supervision, Inspection, and Quarantine
--Zhou Shengxian, Administrator of State Environmental
Protection Administration
--Zhou Wenxiong, Chinese Ambassador to the United States
--Xu Shaoshi, Deputy Secretary-General, State Council
--Yang Jiechi, Senior Vice Minister, Ministry of Foreign
Affairs
--Li Yong, Vice Minister, Ministry of Finance
--Liu Jieyi, Director General, Ministry of Foreign Affairs
--Liu Jianchao, Director General, Ministry of Foreign Affairs
--Luo Linqun, Director General, Ministry of Foreign Affairs
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